

Part 2A of Form ADV: Firm Brochure

Oceanstone Capital Management, Inc.

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March 23, 2012

This brochure provides information about the qualifications and business practices of Oceanstone Capital Management, Inc. If you have any questions about the contents of this brochure, please contact us at (858) 481-4123. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Oceanstone Capital Management, Inc. also is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 Material Changes

This amended firm brochure, dated March 23, 2012, does not contain any material change from the initial firm brochure dated March 23, 2011.

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Item 4 Advisory Business

Oceanstone Capital Management, Inc., a California corporation, has been in business since 2006 and has two principal owners - James J. Wang and Yajun Zheng.

Oceanstone Fund (ticker symbol: OSFDX), an investment management company registered under the Investment Company Act of 1940, has been the sole client of Oceanstone Capital Management, Inc., since its inception in 2006. The investment policy of Oceanstone Fund is described in its current prospectus, which is available at the Fund's website - www.oceanstonefund.com.

As of December 31, 2011, Oceanstone Capital Management, Inc. managed all of Oceanstone Fund's \$14,636,983 net assets on a discretionary basis.

Item 5 Fees and Compensation

For its services, Oceanstone Capital Management, Inc. receives from Oceanstone Fund an annual management fee of 1.80% of the Fund's net assets, pursuant to a management agreement between Oceanstone Capital Management, Inc. and Oceanstone Fund. This fee is computed on the average daily closing net asset value of Oceanstone Fund and is payable monthly. In addition to the management fee, Oceanstone Fund will also incur brokerage and other transaction costs. For additional information, please read Item 12 "Brokerage Practices" of this brochure.

Item 6 Performance-Based Fees and Side-By-Side Management

Oceanstone Capital Management, Inc. does not charge performance-based fees.

Item 7 Types of Clients

Oceanstone Capital Management, Inc. currently provides investment advice only to Oceanstone Fund.

Item 8 Methods of Analysis, Investment Strategies and Risk of Loss

The methods of analysis, investment strategies, and risk of loss in the management of Oceanstone Fund assets by Oceanstone Capital Management, Inc. is thoroughly discussed in the current prospectus of Oceanstone Fund, which is available at the Fund's website - www.oceanstonefund.com.

Item 9 Disciplinary Information

There has been no legal or disciplinary event against Oceanstone Capital Management, Inc. or a management person of Oceanstone Capital Management, Inc.

Item 10 Other Financial Industry Activities and Affiliations

Oceanstone Capital Management, Inc. has no other financial activities or affiliations.

Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Oceanstone Fund has adopted a code of ethics, which was filed with the Securities and Exchange Commission on October 24, 2008.

Under this code of ethics, an advisory person of Oceanstone Capital Management, Inc. may buy or sell for himself securities that he also buys or sells for Oceanstone Fund. The advisory person must recognize his fiduciary duty to Oceanstone Fund and its shareholders and therefore will follow a stringent policy to avoid “front-running”. When the advisory person buys or sells for himself securities that he also buys or sells for Oceanstone Fund, all the orders to buy or sell for the Fund's accounts will be filled or withdrawn, before the orders to buy or sell the same security for his own personal accounts are entered. In addition, an advisory person of Oceanstone Capital Management, Inc. may not invest in any initial public offering or private placement for his own personal accounts.

Item 12 Brokerage Practices

Oceanstone Capital Management, Inc. is responsible for selecting the broker-dealer to be used for Oceanstone Fund. In selecting the broker-dealer to be used for Oceanstone Fund, Oceanstone Capital Management, Inc. will seek the best overall terms available, including the broker-dealer's capacity for efficient execution of portfolio transactions and the reasonableness of its commission rate.

Item 13 Review of Accounts

James J. Wang, the portfolio manager of Oceanstone Fund, reviews the Fund's portfolio holdings quarterly or more frequently at his discretion, to ensure that the Fund's portfolio composition is in compliance with its investment objectives and investment restrictions.

The shareholders of Oceanstone Fund receive annual and semi-annual reports from the Fund. In addition, the shareholders of Oceanstone Fund receive written confirmation of account transactions and quarterly statements from the Fund's transfer agent.

Item 14 Client Referrals and Other Compensation

Oceanstone Capital Management, Inc. does not directly or indirectly compensate anyone for client referrals.

Item 15 Custody

Oceanstone Capital Management, Inc. does not have custody of client assets.

Item 16 Investment Discretion

Oceanstone Capital Management, Inc. has the authority to determine the securities to be bought or sold and the amount of the securities to be bought or sold for Oceanstone Fund, under the supervision of the Fund's Board of Trustees.

Item 17 Voting Client Securities

Oceanstone Capital Management, Inc. votes the proxies for Oceanstone Fund in accordance with its proxy voting policy. The proxy voting policy of Oceanstone Fund is available in its Statement of Additional Information at the Fund's website - www.oceanstonefund.com. Information regarding how the Fund voted proxies relating to portfolio securities during the most recent 12-month period ended June 30 is available without charge, upon request, by calling toll free at 1-800-988-6290. This information is also available on the Securities and Exchange Commission's website <http://www.sec.gov>.

Item 18 Financial Information

Non-applicable